TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 1782 – SB 2656

April 6, 2018

SUMMARY OF ORIGINAL BILL: Prohibits any county in attainment status with the United States Environmental Protection Agency (EPA) from entering into or renewing a contract for the operation of a vehicle inspection and maintenance program.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – $1,669,000/FY19-20 and Subsequent Years/
Environmental Protection Fund

Decrease Local Revenue – $927,200/Each Year FY19-20 through FY21-22
$3,008,100/FY22-23 and Subsequent Years

Other Fiscal Impact – Prohibiting state and local governmental entities from conducting vehicle inspections will necessitate changes to the state implementation plan under the federal Clean Air Act (CAA). If the Environmental Protection Agency does not approve such plan changes, the state will be out of compliance with federal requirements and could be subject to sanctions under Section 179 of the CCA. In FY17-18, the state received $1,454,683 in federal funding under the CAA.

SUMMARY OF AMENDMENTS (014474, 016785): Amendment 014474 deletes all language after the enacting clause.

Prohibits a vehicle inspection and maintenance program (I/M program) from being employed in the state unless one is mandated under the CAA or a local government that has an air pollution control program in place on the effective date of the proposed legislation authorizes the continuation of the program by action of the local legislative body.

Effectiveness of the proposed legislation occurs 120 days after the date on which the EPA approves a revision of the state implementation plan (SIP) consistent with the proposed legislation or if a contract for inspection service exists on such date, then on the date of expiration or termination of such contract.

Amendment 016785 adds a section to the proposed legislation as amended by amendment 014474 authorizing any county ceasing to have an I/M program under the proposed legislation to increase the amount of any clerk’s fee imposed on any initial registration or renewal by $4.00.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Decrease State Revenue –
Net Impact – Not Significant/FY19-20 and Subsequent Years

Increase Local Revenue –
Net Impact – $2,781,600/FY19-20 and Subsequent Years/Permissive

Other Fiscal Impact – Permissive decrease in local revenue to Davidson County, beginning in FY22-23, should the county fail to take action to continue its existing inspection and maintenance program.

Assumptions for the bill as amended:

- Currently, Davidson, Hamilton, Rutherford, Sumner, Williamson, and Wilson counties have I/M programs.
- Davison County contracts with a vendor to perform vehicle inspections. The other counties contract with the Department of Environment and Conservation (TDEC) who then contracts with a vendor.
- The proposed legislation would prohibit any future I/M programs unless the CAA requires such a program under the SIP or unless a local government that has an air pollution control program in place on the effective date of the proposed legislation (i.e. Davidson County) authorizes the continuation of the program by action of the local legislative body.
- Under TDEC's contract, TDEC receives $2.80 of every inspection fee. TDEC retains $1.80 and transmits $1.00 to the county clerk in the applicable county.
- Data from TDEC shows that in 2017 TDEC collected $1,668,987 in fee revenue from vehicle inspections. According to TDEC, the Air Pollution Control Board would likely increase its fees to offset the decrease in revenue.
- Tennessee Code Annotated § 68-203-103 authorizes TDEC to charge fees, including emission fees, for its various services. These fees are deposited into the Environmental Protection Fund. Tennessee Code Annotated § 68-203-103(b)(2) authorizes the Air Pollution Control Board to set the necessary fees under the Tennessee Air Quality Act.
- It is assumed that the Air Pollution Control Board will raise its fees to offset the decrease in state revenue to TDEC. The net impact on state revenue is not significant.
- TDEC's data shows the following amounts were transmitted to the appropriate county clerks:
    - Hamilton – $286,429;
    - Rutherford – $232,078;
    - Sumner – $126,216;
    - Williamson – $200,782; and
    - Wilson – $81,710.
- Hamilton, Rutherford, Sumner, Williamson, and Wilson counties receive $927,215 ($286,429 + $232,078 + $126,216 + $200,782 + $81,710) from their I/M programs,

which equates to 927,215 vehicles inspected each year ($927,215 in fees / $1.00 fee received from TDEC).

- The proposed legislation authorizes any county ceasing to have an I/M program under the proposed legislation to raise its clerk fee for initial registrations or renewals by $4.00.
- It is assumed that every county ceasing to have an I/M program will increase its clerk fee by $4.00, increasing permissive local government revenue by $3,708,860 (927,215 vehicles x $4.00 fee).
- The proposed legislation will result in a net permissive increase to local governments in the amount of $2,781,645 ($3,708,860 increase – $927,215 decrease). According to TDEC, the current state contract expires in 2019. Therefore, the first year impacted by this legislation is FY19-20.
- Davidson County receives a portion of the inspection fee under its contract. Data provided by TDEC shows that in 2017 Davidson County collected $2,080,900 in fee revenue from vehicle inspections.
- The proposed legislation authorizes a local government that, on the effective date of this act, has a local air pollution control program and implements its own inspection and maintenance program, to continue an existing air pollution control program by implementing its own I/M program if the local governing body takes action to continue such program within 30 days of the effective date of the proposed legislation. Any decrease in local revenue to Davidson County would be permissive. According to TDEC, the current Davidson County contract expires in 2022. Therefore, the first year in which such permissive decrease in local revenue could be realized is FY22-23.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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